

Message Text

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ACTION INR-10

INFO OCT-01 EUR-25 EA-11 IO-14 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03

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R 231923Z NOV 73

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TO SECSTATE WASHDC 5791

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 13715

E.O. 11652: XGDS-1

TAGS: ETRD, UK

SUBJECT: BRITISH VIEWS ON THE GATT MULTILATERAL
TRADE NEGOTIATIONS

REF: A) STATE A-9119; B) LONDON A-1340; C) LONDON A-1202
OF AUGUST 11, 1972; D) LONDON 9538; E) LONDON 6865

BEGIN SUMMARY: THE UK WILL HAVE A MAJOR INFLUENCE ON THE
MANDATES WHICH THE COMMUNITY WILL ADOPT FOR THE
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MULTILATERAL TRADE NEGOTIATIONS. THE TWO ISSUES ON

WHICH THE BRITISH FEEL MOST STRONGLY ARE TARIFFS AND AGRICULTURE. THEY WANT A SUBSTANTIAL LIBERALIZATION OF TARIFFS, AND THEY BELIEVE THAT THIS CAN BE ACHIEVED MORE EFFECTIVELY BY HARMONIZATION THAN BY LINEAR CUTS. THEY BELIEVE THAT IT IS POSSIBLE TO WORK OUT A FORMULA FOR TARIFF HARMONIZATION THAT PROVIDES COMPARABLE BENEFITS TO THE US AND THE EC. ON AGRICULTURE, THE UK CANNOT AFFORD TO LAY THEMSELVES OPEN TO THE CHARGE THAT THEY ARE TRYING TO UNDERMINE THE CAP, BUT THEY HOPE THAT THEY CAN CONTRIBUTE TO A LOWERING OF CAP PRICES AND A REDUCTION OF SURPLUSES. THEY CONSIDER THAT INTERNATIONAL COMMODITY AGREEMENTS WOULD BE ONE WAY TO ACHIEVE THESE AIMS. BRITISH VIEWS ON NTB'S, SAFEGUARDS AND THE ROLE OF THE LDC'S IN THE MTN ARE ALSO SUMMARIZED IN THIS TELEGRAM. END SUMMARY.

1. THE FOLLOWING ARE REPLIES TO THE QUESTIONS IN REF A CONCERNING BRITISH VIEWS ON THE GATT MULTILATERAL TRADE NEGOTIATIONS. OUR REPLIES ARE BASED ON RECENT CONVERSATIONS WITH OFFICIALS AT THE DEPARTMENT OF TRADE AND INDUSTRY (DTI) AND MEMBERS OF THE STAFF OF THE CONFEDERATION OF BRITISH INDUSTRY (CBI). MORE INFORMATION ON THE ATTITUDES OF BRITISH INDUSTRIALISTS TOWARD THE MTN IS CONTAINED IN THE CBI REPORT THAT WE FORWARDED WITH REF B.

2. AS THE EC PROCEEDS TO ESTABLISH ITS NEGOTIATING MANDATES, WE WILL REPORT IN MORE DETAIL ON BRITISH VIEWS ON THE KEY ISSUES. WE ARE ALSO UPDATING OUR ACCOUNT (REF C) OF HOW TRADE POLICY IS MADE IN THE BRITISH GOVERNMENT.

3. THE TWO MTN ISSUES ON WHICH THE BRITISH FEEL STRONGLY ENOUGH TO MAKE A DETERMINED EFFORT TO INFLUENCE EC POLICIES ARE TARIFFS AND AGRICULTURE. THEY WANT THE MTN TO RESULT IN SUBSTANTIAL TARIFF REDUCTIONS, AND THEY ALSO HOPE THAT THE TRADE NEGOTIATIONS WILL BE A MEANS OF IMPOSING SOME "DISCIPLINE" ON THE CAP. THE BRITISH HAVE TO BE CAUTIOUS ABOUT AGRICULTURE SINCE THEY CANNOT AFFORD TO LAY THEMSELVES OPEN TO THE CHARGE THAT

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THEY ARE NOW TRYING TO BREAK UP THE AGRICULTURAL SYSTEM WHICH THEY AGREED TO ACCPT AS A CONDITION OF EC MEMBERSHIP. THEY WOULD PREFER TO LET SOME OTHER MEMBER STATES TAKE THE LEAD IN PRESSING FOR CHANGES IN THE CAP. THEY ARE NEVERTHELESS DETERMINED TO KEEP

AGRICULTURAL PRICES DOWN AND TO DISCOURAGE THE
ACCUMULATION OF SURPLUSES. THEY CONSIDER THAT
INTERNATIONAL COMMODITY AGREEMENTS NEGOTIATED IN THE
FRAMEWORK OF THE MTN MIGHT REALIZE THESE AIMS.

4. THE UK WILL HAVE A MAJOR VOICE IN THE COMMUNITY'S
POLICY DECISIONS ON THE MTN. (FOR A FULL ACCOUNT
OF EMBASSY'S VIEWS ON BRITAIN'S ROLE IN THE EC, SEE
REFS D AND E). COMPROMISES WILL HAVE TO BE MADE, OF
COURSE, AND THE FRENCH IN PARTICULAR WILL BE STUBBORN
OPPONENTS ON VARIOUS ISSUES. BUT THE UK'S ABILITY TO
MAKE ITS OWN POSITION PREVAIL SHOULD NOT BE UNDER-
ESTIMATED. COMMISSION PROPOSALS ON THE MTN ARE BOUND
TO CONTAIN A LARGE DOSE OF BRITISH VIEWS BECAUSE OF
SOAMES' POSITION AS COMMISSIONER IN CHARGE OF EXTERNAL
RELATIONS. THE BRITISH HAVE A FIRST-RATE PERMREP

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 13715

DELEGATION IN BRUSSELS THAT IS EFFECTIVELY BACKSTOPPED BY REORGANIZED GOVERNMENT MACHINERY IN WHITEHALL. COORDINATION ON TRADE POLICY WITHIN G IS REASONABLY SMOOTH, AND THE KEY OFFICIALS AT DTI WHO WORK ON THE MTN (ROY DENMAN AND MARTIN LAM) HAVE HAD EXTENSIVE EXPERIENCE WITH BOTH THE GATT AND THE EC.

5. THE FACT THAT A MAJORITY OF THE BRITISH PUBLIC IS STILL NOT ENTHUSIASTIC ABOUT THE EC DOES NOT KEEP THE BRITISH GOVERNMENT FROM PLAYING AN ACTIVE ROLE IN THE CONFIDENTIAL

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EC. IN FACT, THE BRITISH CAN USE DOMESTIC DISSATISFACTION AS A BARGAINING COUNTER ON CERTAIN ISSUES (AGRICULTURAL PRICES, FOR EXAMPLE).

6. WITH REGARD TO TARIFFS IN THE MTN, THE BRITISH FAVOR SUBSTANTIAL REDUCTIONS. THEY CITE AN OVERALL AVERAGE CUT OF 40 PER CENT AS AN APPROPRIATE GOAL. THEY CONSIDER TARIFF HARMONIZATION TO BE THE SUREST WAY OF ACHIEVING THIS AIM, AND THEY BELIEVE, ON THE BASIS OF SOME PRELIMINARY DTI COMPUTER RUNS, THAT IT WILL BE POSSIBLE TO WORK OUT A TARIFF-HARMONIZING SCHEME THAT PROVIDES COMPARABLE BENEFITS TO THE U.S. AND THE COMMUNITY. THERE ARE ONLY A VERY FEW PRODUCTS ON WHICH THE UK WOULD CONSIDER GOING TO ZERO TARIFFS. ONE OF THESE IS AIRCRAFT.

7. SOME BRITISH INDUSTRIES THAT ARE LIKELY TO ASK FOR EXEMPTION FROM LIBERALIZING MEASURES ARE TEXTILES, FOOTWEAR AND PAPER. THE BRITISH AUTOMOBILE INDUSTRY IS CURRENTLY DIVIDED ON WHETHER IT NEEDS ADDITIONAL PROTECTION. THE CHEMICAL AND CPUTER INDUSTRY ARE LIKELY TO WANT SPECIAL TREATMENT.

8. THE NON-TARIFF BARRIERS WHICH THE BRITISH BELIEVE NEED PRIORITY ATTENTION ARE GOVERNMENT PROCUREMENT, CUSTOMS VALUATION PROCEDURES, STANDARDS, ANTI-DUMPING, EXPORT SUBSIDIES AND COUNTERVAILING DUTIES.

9. RECENT CONCERNS ABOUT FOOD SHORTAGES HAVE NOT HAD A MAJOR EFFECT ON BRITISH ATTITUDES TOWARD THE CAP.

WORLD SHORTAGES HAVE NOT DIMINISHED THE UK'S DESIRE TO
KEEP AGRICULTURAL PRICES DOWN OR TO REDUCE COSTLY
SURPLUSES. BRITISH OFFICIALS BELIEVE THAT EXPORT
CONTROLS HAVE NOW BECOME A MORE ACTIVE TRADE POLICY
PROBLEM WHICH WILL HAVE TO RECEIVE ATTENTION IN THE MTN.

10. BRITISH OFFICIALS CONSIDER THAT THE UK'S GENERAL
POSITION ON STRENGTHENING MULTILATERAL SAFEGUARDS IS
CLOSE TO THAT OF THE U.S. THE BRITISH BELIEVE THAT A
PROTOCOL SHOULD BE ADDED TO ARTICLE XIX OF THE GATT
ESTABLISHING AGREED RULES AND AN ARBITRATION PROCEDURE
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THAT WORKS PROMPTLY AND FAIRLY. THE BRITISH CONSIDER
THAT THERE WILL HAVE TO BE ROOM IN THE NEW SYSTEM FOR
THE APPLICATION OF SAFEGUARDS ON A DISCRIMINATORY BASIS.

11. ACCORDING TO A DTI OFFICIAL, THE BRITISH GOVERNMENT
IS DIVIDED OVER THE ROLE OF THE LDC'S IN THE MTN. SOME
PARTS OF THE GOVERNMENT BELIEVE THAT SOMETHING
SIGNIFICANT SHOULD BE DONE FOR THE LDC'S IN THE INITIAL
STAGES OF THE TRADE NEGOTIATIONS. OTHERS BELIEVE THAT
THE MAIN ISSUES AMONG THE DEVELOPED COUNTRIES
SHOULD BE DEALT WITH FIRST. IN ANY EVENT, THE BRITISH
DO NOT ENVISAGE ANY MAJOR NEW DEPARTURES IN THE AREA
OF PREFERENTIAL TREATMENT FOR THE LDCS. SOME PARTS OF
BRITISH INDUSTRY ARE ALREADY CONCERNED BY THE
ADVANTAGES WHICH THE MORE ADVANCED LDCS ENJOY UNDER THE
COMMUNITY'S GENERALIZED PREFERENCES SCHEME.

12. THE BRITISH BELIEVE THAT THE ISSUE OF A LINK
BETWEEN THE TRADE AND MONETARY NEGOTIATIONS WAS BURIED
BY THE TOKYO DECLARATION. THEY CONSIDER THAT THE TWO
NEGOTIATIONS ARE RELATED, AND THAT A SERIOUS BREAKDOWN
IN ONE WOULD AFFECT THE OTHER. HOWEVER, THE BRITISH
HAVE NO INTEREST IN ESTABLISHING PRECONDITIONS ON THE
MONETARY SIDE FOR PROGRESS ON TRADE, OR VICE VERSA.

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